



GROWTH OF AUTO INDUSTRY IN INDIA

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ABSTRACT

The Indian Automobile market is a promising industrial sector that is growing immensely every passing year. The automobile industry has an enormous opportunity for creating new wealth by delivering value to the world and also to the domestic user. The four-wheeler industry in India has not been able to match up to the performance of its counterparts in other parts of the world. The main reason for this has been the regulatory atmosphere that prevailed till the deregulation in the mid-1990s. After the liberalization the passenger car segment saw a boom and many companies from India as well as foreign entered the market. With liberalization, Government abolished licensing and removed restrictive trade policies. Automobile industry benefited greatly from these measures. The automobile industry in India happens to be the ninth largest in the world, following Japan, South Korea & Thailand. In 2009, India emerged as the fourth largest exporter of automobiles. Several Indian automobile manufacturers have spread their operations globally as well, asking for more investments in the Indian automobile sector by the MNC's.

KEYWORDS: Auto, Industry, Production.

History

In 1897, the first car ran on an Indian road. Through the 1930s, cars were imports only, and in small numbers. An embryonic automotive industry emerged in India in the 1940s. Hindustan Motors was launched in 1942, long-time competitor Premier in 1944, building Chrysler, Dodge, and Fiat products respectively.[4] Mahindra & Mahindra was established by two brothers in 1945, and began assembly of Jeep CJ-3A utility vehicles. Following independence in 1947, the Government of India and the private sector launched efforts to create an automotive-component manufacturing industry to supply to the automobile industry. In 1953, an import substitution programme was launched, and the import of fully built-up cars began to be restricted. In 2000, in tune with international standards to reduce vehicular pollution, the central government unveiled standards titled "India 2000", with later, upgraded guidelines to be known as Bharat stages. These standards are quite similar to the stringent European standards, and have been implemented in a phased manner, with the latest upgrade being implemented in 13 cities and, later, in the rest of the nation. Delhi (NCR), Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, Pune, Surat, Kanpur, Lucknow, Solapur, and Agra are the 13 cities where Bharat Stage IV has been imposed while the rest of the nation is still under Bharat Stage III.

As per the history of Automobile Companies in India, in the late 1890's Tata Motors launched its first truck in India. It was done in collaboration with Mercedes-Benz. Though automobiles were introduced to India in the late 19th century, it was only after the Indian independence in 1947 that India started manufacturing automobiles. Some of the early Automobile Companies in India are:

- Maruti Suzuki
- Hindustan Motors
- Premier Automobiles
- Tata Motors

Sanjay Gandhi was the first Indian politician who championed the need for a "people's car". After the liberalization in 1991, India's Automobile Industry grew in leaps and bounds. With the growth in the Indian economy, big international car manufacturers like General Motors, Ford, Toyota, Honda, Hyundai, Rolls Royce, Bentley and Maybach entered the Indian market. Earlier in the 1920's Rolls Royce collections was the maharaja's status symbol. Automobile Industry in India is dominated by domestic companies like Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Ashok Leyland and bajaj auto. Today Indian automotive industry is fully capable in producing various kinds of vehicles. The milestones achieved by the Automobile Companies in India are:

- The first automobile in India rolled in 1897 in Mumbai.
- International players are adding to their investments in Indian auto industry.
- Cars dominate the Indian passenger vehicle market by 79%.
- India's Automobile Industry is the largest three-wheeler market in the world.
- The Automobile Industry in India is the fifth largest commercial vehicle manufacturer in the world.

Manufacturing facilities

The majority of India's car manufacturing industry is evenly divided into three "clusters". Around Chennai is the southernmost and largest, with a 35% revenue share, accounting for 60% of the country's automotive exports, and home of the India operations of Ford, Hyundai, Renault, Mitsubishi, Nissan, BMW, Hindustan Motors, Daimler, Caparo, Mini, and Datsun. Near Mumbai, Maharashtra, along the Chakan corridor near Pune, is the western cluster, with a 33% share of the market. Audi, Volkswagen, and Skoda are located in Aurangabad. Mahindra and Mahindra has an SUV and engine assembly plant at Nashik. General Motors, Tata Motors, Mercedes Benz, Land Rover, Jaguar Cars, Fiat, and Force Motors have assembly plants in the area. The northern cluster is around the National Capital Region, and contributes 32%. Gurgaon and Manesar, in Haryana, are where the country's largest car manufacturer, Maruti Suzuki, is based. An emerging cluster is the state of Gujarat, with a manufacturing facility of General Motors in Halol, and a facility for Tata Nano at their plant in Sanand. Ford, Maruti Suzuki, and Peugeot-Citroen plants are also planned for Gujarat. Kolkata with Hindustan Motors (inactive), Noida with Honda, and Bengaluru with Toyota are other automotive manufacturing regions around the country.

Electric vehicle and Hybrid vehicle (xEV) industry

During April 2012, the Indian government planned to unveil the road map for the development of domestic electric and hybrid vehicles (xEV) in the country.[197] A discussion between the various stakeholders, including Government, industry, and academia, was expected to take place during 23–24 February.[197] Along with these ministries, auto industry executives, such as Anand Mahindra (Vice Chairman and Managing Director, Mahindra & Mahindra) and Vikram Kirloskar (Vice-Chairman, Toyota Kirloskar), were involved in this task.[197] The Government has also proposed to set up a Rs 740 crore research and development fund for the sector in the 12th five-year plan during 2012-17.[197] The idea is to reduce the high cost of key imported components such as the battery and electric motor, and to develop such capabilities locally.

Government Initiatives

The Government of India encourages foreign investment in the automobile sector and allows 100 per cent FDI under the automatic route. Some of the major initiatives taken by the Government of India are:

- The Government of India aims to make automobile manufacturing the main driver of "Make in India" initiative, as it expects the passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the Auto Mission Plan (AMP) 2016-26.
- In the Union budget of 2015-16, the Government has announced plans to provide credit of Rs 850,000 crore (US\$127.5 billion) to farmers, which is expected to boost sales in the tractors segment.
- The government plans to promote eco-friendly cars in the country—i.e. CNG-based vehicles, hybrid vehicles, and electric vehicles—and also to make mandatory 5 per cent ethanol blending in petrol.
- The government has formulated a Scheme for Faster Adoption and Manufacturing of Electric and Hybrid Vehicles in India, under the National Electric Mobility Mission 2020, to encourage the progressive introduction of reli-

able, affordable, and efficient electric and hybrid vehicles into the country.

- The Automobile Mission Plan (AMP) for the period 2006–2016, designed by the government is aimed at accelerating and sustaining growth in this sector. Also, the well-established Regulatory Framework under the Ministry of Shipping, Road Transport and Highways, plays a part in providing a boost to this sector.

Car Registrations in India decreased to 265104 Cars in October from 268058 Cars in September of 2016. Car Registrations in India averaged 104835.45 Cars from 1991 until 2016, reaching an all time high of 304900.00 Cars in March of 2012 and a record low of 6508.00 Cars in April of 1992.



India is the fourth largest car market in Asia Elasticity Price Elasticity

In car industry of India price elasticity matters a lot as India is a mixed bag of consumers and buyers, every class of people exist in it. As the price of the car increases the demand for it also decreases, a car comes under a luxury good as its elasticity is greater than 1 it is highly elastic. Therefore, as car is a major good and petrol is a related good both are directly related, increase in price of petrol will effect in decreasing demand of a car. Therefore, cross elasticity is a component of car industry.

Income Elasticity

As car is a luxury good, so it is not necessary for everybody to bare the expense of car. Income elasticity is very important factor as the income is directly related to the demand of a good. When the income of the consumer increases the demand of car, also increases more and more consumers gets ready to pay the cost of car, but as the income decreases it simultaneously affect the demand of car. Therefore, income elasticity is another component of car industry of India.

Growth Factors

The auto industry in India has seen a tremendous growth and seems to be the fastest growing sector in the world. This sector has responded with an exponential progress in the number of new models launched in the last few months. The craze for cars amongst people is growing day-by-day. According to auto experts and analysts, India is poised to become third largest auto car manufacturing hub in the world by 2020. The major factors for growth of car industry in India is:-

Launch of new technologies in the market such as CRDi, ABS, ESP, Ride control systems etc.

- Launch of new segments for all class of people.
- Introducing new concept cars with better enhancements.
- New price range's in every segments for different choices of the people.
- Different companies introduced in Indian markets, with different car types.
- Performance of Auto Industry during 2015-16

Production

The industry produced a total 23,960,940 vehicles including passenger vehicles, commercial vehicles, three wheelers, two wheelers and quadricycle in April-March 2016 as against 23,358,047 in April-March 2015, registering a marginal growth of 2.58 percent over the same period last year.

Domestic Sales

The sales of Passenger Vehicles grew by 7.24 percent in April-March 2016 over the same period last year. Within the Passenger Vehicles, Passenger Cars, Utility Vehicles and Vans grew by 7.87 percent, 6.25 percent and 3.58 percent respectively during April-March 2016 over the same period last year.

The overall Commercial Vehicles segment registered a growth of 11.51 percent in April-March 2016 as compared to the same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) registered a growth at 29.91 percent and Light Commercial Vehicles grew marginally by 0.30 percent during April-March 2016 over the same period last year.

Exports

In April-March 2016, overall automobile exports grew by 1.91 percent. Passenger Vehicles, Commercial Vehicles, Three Wheelers and Two Wheelers registered a growth of 5.24 percent, 16.97 percent (-) 0.78 percent and 0.97 percent respectively in April-March 2016 over April-March 2015.

Conclusion

Indian Automobile has a lot of scope in four wheelers due to development in infrastructure of the country. According to Indian Statistical Organization, the per capita income (Rs.38000) is increasing and national income at the rate of 14.4%, which shows potential to buy vehicle in auto industry. The growth rate of Indian Automobile is so fast that by 2016 Indian Industry will be world 7 largest manufacturers in all sections. Like TATA has launched NANO, the people's car and now TATA Motors is also planning to come up with an electric car as well as hybrid car. The brief analysis above gives the optimistic view about the industry and the overall industry shows a positive growth and increase the economy rate of India. The automobile industry is making phenomenal progress in the country.

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